

Message Text

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OMB-01 SS-15 STR-05 L-03 /114 W
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O R 251316Z NOV 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 2152
INFO AMEMBASSY BONN
AMEMBASSY KINSHASA
AMEMBASSY OSLO
AMEMBASSY OTTAWA

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ALSO FOR USOECD

PASS TREASURY

AMEMBASSY OSLO FOR MEISSNER

E.O. 11652: GDS
TAGS: EFIN, CG, US
SUBJECT:PARIS CLUB APPROACH TO ZAIRE

1. DURING THOROUGH DISCUSSION WITH CLUB CHAIRMAN
PEBEREAU, 23 NOVEMBER, MEISSNER LAID OUT U.S.
CONCERNS OVER THE FINANCIAL AND ECONOMIC SITUATION
IN ZAIRE. MEISSNER MADE THE POINT THAT ZAIRE DOES
NOT HAVE THE FINANCIAL RESOURCES TO MEET ITS
CURRENT OBLIGATIONS AND THE ECONOMIC STATUS HAS
DETERIORATED SINCE LAST YEAR. MEISSNER NOTED THAT
THE UNITED STATES COULD NOT RESCHEDULE FURTHER WITHOUT
SOME COMPARABLE AGREEMENT BEING REACHED BETWEEN
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ZAIRE AND THE PRIVATE BANKS. HE ALSO SAID THAT
ZAIRE WAS NOT MEETING FULLY THE LAST IMF AGREEMENT.

2. MEISSNER RECALLED THAT CLUB MEETING SCHEDULED
FOR NOVEMBER 30 AS PART OF A COMPROMISE WITH ZAIRE.
ZAIRE AT LAST MEETING HAD REQUESTED RESCHEDULING
PRINCIPAL AND INTEREST FOR ALL OF 1977. CREDITORS

ACCEPTED RESCHEDULING OF PRINCIPAL AND INTEREST FOR FIRST SEMESTER WITH PROMISE OF REVIEW IN NOVEMBER. IT WAS BELIEVED THAT ZAIRE WOULD HAVE PRIVATE BANK AGREEMENT BY THIS TIME AND A NEW IMF REPORT WOULD HAVE BEEN WRITTEN. MEISSNER NOTED THAT NEITHER OF THESE ASSUMPTIONS ARE NOW VALID. IN THE FACE OF THESE CIRCUMSTANCES, MEISSNER SAID THAT THE UNITED STATES COULD DO VERY LITTLE AT THE NOVEMBER MEETING. MEISSNER ALSO SAID HE WOULD APPRECIATE A REPORT FROM BELGIUM ON JUST WHAT TECHNICAL ASSISTANCE IN FINANCIAL MANAGEMENT THEY ARE PROVIDING TO ZAIRE.

3. PEBEREAU AGREED WITH MEISSNER'S ASSESSMENT FOR NOVEMBER 30 MEETING. HE BROKE DOWN HIS DISCUSSION INTO THREE GENERAL POINTS:

-- ZAIRE'S AGREEMENT WITH THE PRIVATE BANKS,

-- FULFILLMENT OF THE IMF CONDITIONS, AND

-- THE PAYMENT BY ZAIRE OF ITS PRESENT OBLIGATIONS. ON THE ISSUE OF THE PRIVATE BANKS PEBEREAU WAS CONCERNED THAT AN AGREEMENT HAD NOT BEEN REACHED ALTHOUGH HE FELT THAT ZAIRE HAD BEEN TRYING HARD. HE HAS HEARD THAT ZAIRE IS THREATENING THE BANKS WITH DIVERSION OF SOME FUNDS FROM THE
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BLOCKED SWISS BANK ACCOUNT, THUS AWAY FROM INTEREST PAYMENTS TO THE PRIVATE BANKS IN FAVOR OF OFFICIAL CREDITORS. HE ALSO REPORTED THAT FNCB HAS BEEN NEGOTIATING WITH FRENCH BANKS AS PART OF A CONSORTIUM. THE TOTAL SIZE OF THE NEW CONSORTIUM WAS REPORTED TO PEBEREAU TO BE \$150--\$170 MILLION OF FIVE YEAR MONEY. PEBEREAU SAID THAT ALTHOUGH HE DID NOT KNOW PRECISE DETAILS, IT WAS HIS UNDERSTANDING THAT THE INTEREST RATE BEING DISCUSSED WAS HIGH, POSSIBLY TOO HIGH.

4. IN REFERENCE TO THE IMF CONDITIONS, PEBEREAU AGREED THAT ZAIRE'S PERFORMANCE WAS SPOTTY. HE TOOK HEART IN THE FACT THAT GENERAL MOBUTU WOULD SOON BE MAKING A SPEECH COMMITTING HIS ADMINISTRATION TO NEW ECONOMIC REFORMS. PEBEREAU MENTIONED THAT THE FRENCH SENT THREE FINANCIAL ADVISORS TO ZAIRE LAST MONTH, BUT THAT THIS EFFORT WAS SMALL COMPARED TO THE PROMISED BELGIAN EFFORT, ALTHOUGH HE DID NOT KNOW THE EXACT SIZE AND SCOPE OF THE BELGIAN PROGRAM AND DESIRED A REPORT FROM BELGIUM AT THE DECEMBER MEETING. PEBEREAU EMPHASIZED THAT THE IMF CONDITIONS WERE THE HEART OF THE PARIS CLUB

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MANAGEMENT OF THE ZAIRE PROBLEM AND MUST BE FULFILLED.

5. ON THE ISSUE OF PAYMENTS, PEBEREAU SAID THAT
NEITHER THE GERMANS NOR THE CANADIANS HAVE BEEN
PAID IN FULFILLMENT OF THE LAST CREDITOR AGREEMENT.
PEBEREAU BELIEVED THAT THE GERMANS WERE GOING TO
BE TOUGH, AND POSSIBLY THE CANADIANS AS WELL.
THEY HAD BEEN SO TOUGH ON SIERRA LEONE THAT THERE
WAS ALMOST NO AGREED MINUTE. HE SAID THAT IN ORDER
TO MITIGATE CREDITOR DISPLEASURE HE HAD TALKED
WITH BOFOSSA IN OCTOBER AND SECURED HIS AGREEMENT
THAT \$2 MILLION IN PAYMENTS WOULD BE MADE TO
CREDITORS, PROPORTIONATELY DISTRIBUTED ACROSS
ALL CREDITORS.

6. PEBEREAU, AFTER HIS THREE-PART PRESENTATION,
STATED THAT HE FELT SOMETHING NEEDED TO BE ACHIEVED
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AT THE DECEMBER MEETING IN ORDER TO PERMIT ZAIRE TO SAVE FACE AND EMPHASIZE THE POSITIVE ASPECTS OF WHAT ZAIRE WAS ATTEMPTING TO ACCOMPLISH. MEISSNER AGREED WITH THE NECESSITY FOR ENCOURAGEMENT AND THE NEED TO ALLOW ZAIRE TO KEEP FACE. BUT MEISSNER SAID NOTHING COULD BE DONE ON OFFICIALLY RESCHEDULING SECOND SEMESTER 1977 INTEREST UNTIL A BANK AGREEMENT WAS REACHED AND SUGGESTED THE POSSIBILITY OF A CONDITIONAL MINUTE FOR FIRST SEMESTER 1978.

7. THE IDEA OF A CONDITIONAL MINUTE WAS THEN DEVELOPED IN CONVERSATION BETWEEN MEISSNER AND PEBEREAU. IN SUMMARY, THEY SAW IT OUTLINING A RESCHEDULING ONLY FOR THE FIRST SEMESTER 1978. THE MINUTE WOULD ALSO LAY OUT SPECIFIC BENCHMARKS THAT WOULD HAVE TO BE REACHED BY NEXT APRIL. AT THAT TIME, ASSUMING ZAIRE'S PERFORMANCE, THE MINUTE WOULD ACTUALLY GO INTO EFFECT BY CONSENSUS OF THE CREDITORS. SUCH A MINUTE WOULD BE BOTH A CARROT AND A STICK. IT WOULD ALSO KEEP ZAIRE ON A SHORT STRING AND NOT PRECOMMIT THE CREDITORS TO A 1978 RESCHEDULING WITH INSUFFICIENT INFORMATION.

8. MEISSNER SAID THAT UNDER SUCH CIRCUMSTANCES THE U.S. WOULD BE ABLE TO BE FORTHCOMING IN WRITING A MINUTE IN WHICH A CARROT FOR PERFORMANCE WOULD BE PRESENT. PEBEREAU REITERATED HIS CONCERN OVER THE GERMANS. MEISSNER SAID THAT HE WOULD EXPLORE THE POSSIBILITY OF THE U.S. BILATERALLY CONTACTING THE GERMANS. THE CRITICAL MINISTRY IN BONN IS THE FINANCE MINISTRY. THEY ARE THE TOUGHEST ON THE DEBT ISSUE.

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9. MEISSNER AND PEBEREAU AGREED TO MEET AGAIN ON NOVEMBER 29 AS WELL AS DECEMBER 2. THE DECEMBER 2 DISCUSSIONS WILL COVER THE NEGOTIATIONS ON DEBT IN UNCTAD.

10. FOR WASHINGTON AND BONN: MEISSNER BELIEVES THAT THE IDEA OF A CONDITIONAL MINUTE IS WORTH PURSUING. IN PREPARING U.S. POSITION FOR ZAIRE MEETING, PLEASE SUGGEST WHAT GENERAL CONDITIONS MIGHT BE INCLUDED IN THE MINUTE. SECONDLY, MEISSNER BELIEVES IT OF VALUE TO CONTACT GERMANS ON ZAIRE DEBT TO GET THEIR POSITION AND RELAY OURS,

HOPEFULLY ENCOURAGING SOME SOFTENING OF THEIRS IF IT

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IS UNREALISTICALLY HARD. MEISSNER WILL BE WILLING TO
MEET WITH GERMAN DELEGATION IN PARIS ON AFTERNOON OF
NOVEMBER IF WASHINGTON AGREES AS TO UTILITY
OF PRIOR CONTACT WITH THE GERMANS, PLEASE SEND INSTRUCTIONS
TO BONN ASAP. BONN PLEASE COORDINATE WITH
EMBASSY PARIS (BASORA) A NOVEMBER 29 BILATERAL IF
ONE SEEMS DESIRABLE. MEISSNER WOULD APPRECIATE
BEING INFO ON ALL TELEGRAMS THIS SUBJECT.

11. THIRD, MEISSNER HAD THE OPPORTUNITY TO SPEAK
WITH ASSISTANT SECRETARY BERGSTEN ABOUT POSSIBLE
REFORM OF PARIS CLUB. MEISSNER REITERATED HIS IDEA
THAT THIS EFFORT WOULD BE A LOW-KEYED APPROACH TO
THE FRENCH TO CONSIDER WHAT COULD BE DONE, THAT IT
WOULD BE VIEWED AS A FRENCH DIPLOMATIC INITIATIVE
IF IT CAME TO FRUITION, AND THAT IT WOULD BE
PLACED INTERNATIONALLY IN THE CONTEXT AS A PROGRESSIVE
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EFFORT BY THE DEVELOPED COUNTRIES TO BE RESPONSIVE TO THE CONCERNS OF THE LESS DEVELOPED WORLD.

BERGSTEN SAID THAT HE WOULD CONSIDER THE IDEA ON HIS RETURN TO WASHINGTON. MEISSNER DESIRES TO BRING UP THE IDEA WITH PEBEREAU ON DECEMBER 2 AND WOULD LIKE CLEARANCE TO DO SO. IT IS MEISSNER'S OPINION THAT WE SHOULD BEGIN TO MOVE NOW ON THIS IDEA IF IT IS TO REACH MATURITY BY MARCH 1978.

12. ANOTHER ASPECT TO THIS ISSUE IS PAKISTAN DEBT. PAKISTAN IS PLANNING A LEADING ROLE IN UNCTAD DEBT NEGOTIATIONS. IT ALSO DESIRES TO RESCHEDULE ITS DEBT IN THE CONTEXT OF THE IBRD CONSORTIUM BECAUSE NO CONDITIONALITY IS REQUIRED. IF DONE CREATIVELY, THE U.S. MIGHT BE ABLE TO LINK PAKISTAN'S ROLE IN UNCTAD NEGOTIATIONS, THE POTENTIAL TERMS OF ITS DEBT RESCHEDULING IN THE PARIS CLUB AND THE PARIS CLUB REFORM AS ACCEPTABLE INITIATIVE TO THE LDCS AT THE MARCH DEBT MINISTERIAL.
HARTMAN

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Message Attributes

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